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INTERNATIONAL ECONOMIC COMPARISONS

Summary of U.S. Economic Conditions

Two major surveys and most major forecasts show that the U.S. economy will continue its noninflationary moderate growth at an annual rate of around 2.5 percent into the mid-nineties.

A recent survey conducted by the Federal Reserve Board of its 12 district banks shows that overall the economy is steadily expanding in spite of weakness in the housing and auto industries. Moreover, the National Association of Business Economists reported that a majority of the Association's economists expect no recession in the next three years and that the economic expansion, now entering its eighth year, will continue for at least three more years.

In addition, recent gains in productivity growth and the large improvement in the current account deficit in the third quarter, if continued, would add further momentum to growth. The U.S. Department of Labor reported that the growth rate of productivity more than doubled in the nonfarm sector of the economy. Productivity grew at a revised annual rate of 2.5 percent in the third quarter compared with a 1.1 percent annual rate in the second quarter of 1989. Moreover, the Federal Reserve Board index of industrial production shows that output has edged upward (0.1 percent) in November after a decline in the previous two months.

Meanwhile, the large gains in U.S. trade in services have markedly reduced the U.S. current account deficit in the third quarter. The U.S. Department of Commerce reported that the U.S. current account deficit declined in the third quarter of 1989 to its lowest level since 1984. The deficit plunged from $32.08 billion in the second quarter to $22.69 billion in the third quarter, an improvement of almost $10.0 billion. The improvement in the current account deficit resulted from the turn around in services trade from a deficit of $1.6 billion to a surplus of $8.72 billion. Part of the gains in services trade was due to the decline in the value of dollar. Profits and incomes realized abroad in strong foreign currencies bought more dollars than before. If these gains continue, prospects of eliminating the current account deficit will brighten. The U.S. merchandise trade deficit, meanwhile, worsened slightly from $27.55 billion in the second quarter to $27.75 billion in the third quarter of 1989. In October, the U.S. merchandise trade deficit worsened from $8.5 billion in September 1989 to $10.2 billion. Exports increased 1.1 percent whereas imports increased by 5.1 percent.

Economic Growth

The annualized rates of real economic growth in the United States during both the second and third quarters of 1989 were 2.5 and 3.0 percent respectively. The annualized rate of real economic growth during the second quarter of 1989 was -1.0 percent in the United Kingdom, 0.6 percent in Canada, 2.0 percent in West Germany, 3.2 percent in France, and -3.1 percent in Japan. The latest available data indicate that the annualized rate of real growth for the first quarter of 1989 was 3.0 percent in Italy.

Industrial Production

U.S. industrial production edged up slightly (0.1 percent) in November after it fell 0.6 percent in October and 0.3 percent in September 1989, and it was 1.2 percent higher than it was in November 1988. The November rise in industrial output was attributed to a rebound in the output of computers and related parts of which production was disrupted by the California earthquake. Also, the settlement of a labor strike in the aircraft and parts industry has contributed to the rise in the output of this industry.

Capacity utilization in manufacturing, mining, and utilities stood at 82.7 percent in November 1989, down from 82.8 percent in October.

Other major industrial countries reported the following annual growth rates of industrial production: during the year ending September 1989, Japan reported an increase of 3.8 percent, West Germany reported an increase of 3.3 percent, and the United Kingdom reported a decrease of 0.4 percent; during the year ending August 1989, France reported an increase of 4.8 percent, Canada reported a decrease of 0.4 percent, and Italy reported an increase of 2.1 percent.

Prices

The seasonally adjusted U.S. Consumer Price Index rose by 0.4 percent from October to November 1989 and increased by 4.7 percent during the year ending November 1989.

During the 1-year period ending October 1989, consumer prices increased 3.3 percent in West Germany, and 6.8 percent in Italy. During the year ending September 1989, consumer prices increased 7.6 percent in the United Kingdom, 3.4 percent in France, 5.2 percent in Canada, and 2.6 percent in Japan.

Employment

The seasonally adjusted rate of unemployment in the United States (on a total labor force basis, including military personnel) rose slightly to 5.3 percent in November from 5.2 percent in October 1989. In October 1989, West Germany

reported a 7.8 percent unemployment rate and Canada reported a 7.4 percent unemployment. In September 1989, Italy reported 16.6 percent unemployment; the United Kingdom reported 6.0 percent; France reported 9.5 percent; and Japan reported 2.2 percent. For foreign unemployment rates adjusted to U.S. statistical concepts, see the tables at the end of this issue.

Forecasts

Table 1 shows macroeconomic projections for the U.S. economy for October 1989 to December 1990 by four major forecasters and the simple average of these forecasts. Forecasts of all the economic indicators, except unemployment, are presented as percentage changes which represent compound annual rates of change from the preceding quarter. The forecasts of the unemployment rate are averages for the quarter. All the forecasts, except UCLA's, project a rise in the nominal and real growth of GNP throughout the period. The average of the forecasts predicts a slight increase in the unemployment rate in 1990. The predicted real annual growth rate is limited to a maximum of around 2.5 percent. The growth rate will be constrained to such a maximum due to: (1) a slowdown in export growth, and (2) a decline in U.S. business investment due to the not-so-sharp-rising business profits (limiting the growth of internal funding of new plants and equipment) and (3) the decline in new hiring which will cut the growth of consumer spending. Inflation (measured by the GNP deflator index) is expected to rise in the first quarter of 1990 and then to moderate during the remainder of the year.

Table 1
Projected quarterly percentage changes of selected U.S. economic indicators, 1989-90

Quarter	*Data Resources Inc.*	*Merrill Lynch Economics Inc.*	*Wharton F.A. Inc.*	*UCLA Business Forecasting Project*	*Mean of 4 indicators and forecasts*
GNP:[1]					
1989:					
October-December	6.9	4.9	3.9	5.2	5.2
1990:					
January-March	4.5	5.6	5.1	7.0	5.5
April-June	6.6	6.9	6.0	6.5	6.5
July-September	7.3	6.9	5.5	6.1	6.4
October-December	7.2	6.8	6.2	6.5	6.7
GNP:[2]					
1989:					
October-December	1.8	1.0	0.7	1.1	1.1
1990:					
January-March	-0.8	1.0	1.5	1.8	0.9
April-June	2.1	2.3	1.7	2.2	2.1
July-September	3.5	2.5	1.6	2.5	2.5
October-December	3.3	2.4	2.6	2.6	2.7
GNP deflator index:					
1989:					
October-December	5.0	3.8	3.2	4.1	4.0
1990:					
January-March	5.3	4.5	3.6	5.1	4.6
April-June	4.4	4.5	4.2	4.2	4.3
July-September	3.7	4.3	3.9	3.6	3.9
October-December	3.8	4.3	3.6	3.8	3.9
Unemployment, average rate:					
1989:					
October-December	5.3	5.4	5.4	5.4	5.4
1990:					
January-March	5.6	5.5	5.4	5.6	5.5
April-June	5.8	5.6	5.4	5.8	5.6
July-September	5.8	5.5	5.5	5.8	5.6
October-December	5.7	5.5	5.5	5.7	5.6

[1] Current dollars.
[2] Constant (1982) dollars.

Note.—Percentage changes in the forecast represent compounded annual rates of change from the preceding period. Quarterly data are seasonally adjusted.

Source: Compiled from data received by telephone from the Conference Board, *Statistical Bulletin*. Used with permission.

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U.S. TRADE DEVELOPMENTS

The seasonally adjusted U.S. merchandise trade deficit increased by 19.8 percent from $8.5 billion in September to $10.2 billion in October 1989. The October deficit was 9.7 percent higher than the $9.3 billion average monthly deficit registered during the previous 12-month period, and 10.9 percent higher than the $9.2 billion deficit registered in October 1988.

U.S. exports increased 1.1 percent in October to $31.1 billion from $30.7 billion in September. Imports, however, rose by 5.1 percent from $39.2 billion in September to $41.2 billion in October.

Export gains in October were concentrated in airplane parts (up 14.3 percent for the month and 17.6 percent on a year-to-date basis). Other sectors experiencing monthly gains included power generating machinery (up 22.8 percent), new passenger cars (up 216.5 percent), electrical machinery (up 4.6 percent), iron and steel mill products (up 33.3 percent), specialized industrial machinery (up 7.3 percent), furniture and parts (up 15.7 percent), general industrial machinery (up 2.4 percent), vehicle parts (up 8.3 percent), and other manufactured goods (up 16.3 percent).

Import increases were concentrated in new passenger cars (up 22.1 percent), clothing and footwear (up 10.2 percent), specialized industrial machinery (up 12.9 percent), electrical machinery (up 11.8 percent), general industrial machinery (up 15.4 percent), clothing and footwear (up 10.2 percent), iron and steel mill products (up 20.9 percent), telecommunication equipment (up 11.9 percent), automatic data processing equipment and office machinery (up 6.6 percent).

Meanwhile, the U.S. agricultural trade surplus increased from $1.4 billion in September to $1.5 billion in October. In addition, the U.S. oil import bill escalated from $4.0 billion in September to $4.4 billion in October due to the rise in the volume of imports.

The United States experienced bilateral merchandise trade deficits from September to October with almost every country except Egypt and the U.S.S.R. The deficit with Canada grew (from $610 million to $843 million), and the deficit with newly industrialized countries grew (from $2.3 billion to $2.8 billion). The surplus with the EC of $1.25 billion turned into a deficit of $148 million, and the surplus with all of Western Europe of $1.2 billion turned into a deficit of $460 million. The deficit with OPEC remained almost unchanged at around $1.5 billion. The deficit with Japan increased from $4.1 billion in September to $4.9 billion and with China from $727 million to $783 million. U.S. trade surplus with the U.S.S.R. increased to $123 million from $38 million in September, and the surplus with Egypt declined from $292 million to $177 million in October.

INTERNATIONAL TRADE DEVELOPMENTS

Progress on the Uruguay Round

As the year comes to an end, work continues in the 15 negotiating groups set up in the Uruguay Round of multilateral trade negotiations. The 90-odd members of the General Agreement on Tariffs and Trade (GATT) continue to table proposals for modifying the General Agreement, negotiating the reduction of tariffs and nontariff barriers, and incorporating new areas such as intellectual property rights, investment measures, and services into the GATT. Other issues being debated concern the use of subsidies and their potential prohibition, farm reform, and the use of "safeguard" provisions. Below is a discussion of various proposals that have been submitted to the subsidies, agriculture, intellectual property rights, and multilateral trade negotiations agreements negotiating groups.

Subsidies

Which subsidies to prohibit was the subject of several proposals put forth in the November 30 through December 1 Subsidies Negotiating Group. At issue is the definition of a subsidy. The United States broadly defines a subsidy as any government action that confers benefit on a recipient. The EC, and most other nations, insist on a specificity test, such as evidence of an actual transfer of resources from the government.

Types of domestic industrial and agricultural support programs the United States wishes to prohibit (over and above those described on an "illustrative list" agreed to in the previous GATT Tokyo Round) include: 1) government insurance for exchange rate fluctuations; 2) local sourcing requirements which grant subsidies if domestic goods are used in lieu of imported goods; and 3) subsidies for chiefly export-oriented companies; and 4) subsidies that exceed a given percentage of a company's total sales. Most government subsidies would be prohibited under the the U.S. plan, even ones that may not have a direct cost for the government. An example of an exchange-rate subsidy is the West German program that would reimburse Daimler-Benz, a firm involved in the production of Airbus planes, if the U.S. dollar falls to 1.60 deutsche marks. Currently, the dollar is valued at DM1.77. An export subsidy is offered by France to pharmaceutical firms to induce them to increase exports. Subsidies al-

lowed under the U.S. plan would be in the areas of defense, natural disaster relief, health, and environment.

In contrast, the EC's proposal would prohibit only industrial subsidies which cost a government, tend to favor exports, and provide a benefit to a specific sector. Domestic subsidies are legitimate instruments of social and economic policies, argues the EC. Meanwhile, any support programs that are not prohibited would be open to countervailing action, if trade distortion was proven. Also, the EC does not want agricultural subsidies included in the the subsidies group, but rather in the agricultural negotiating group.

A form of subsidy not prohibited by the EC guidelines would be a government laxity in enforcing antitrust legislation. In such instances, a domestic industry might benefit from its ability to monopolize, although a direct cost is not incured by the government. The one issue both the United States and the EC agree on is the prohibition of export subsidies.

Agriculture

The Cairns Group, fourteen agricultural exporting countries, expounded on the need for farm reform in the late November Agriculture Negotiating Group. Its proposal closely followed the U.S. plan (see *IER*, November 1989). Specific guidelines within the proposal call for substantially reduced export subsidies along with a phasing out of internal supports and market-access barriers over the next 10 years. The method of reducing import barriers would utilize a tariffication process whereby nontariff measures are converted to tariffs. Transistional measures would be allowed, such as tariff-rate quotas, but, in time, the goal of "substantial progressive reduction" would be achieved.

Response to the Cairns proposal was mixed, with the United States, Morocco, Egypt, Jamaica, and Peru praising the approach while Japan stated that the proposal went too far. Earlier, the EC voiced its disapproval of the U. S. plan of converting import barriers to tariffs (see *IER*, November 1989) which is an ingredient of the Cairns scheme as well. The EC is expected to submit its paper on farm reform at the agriculture meeting scheduled for December 19 and 20.

Another approach for farm reform was offered by Japan. Concerned about food security, Japan would allow the continuance of import barriers on national security grounds. However, the restrictive Japanese proposal strongly denounces the use of export subsidies. Citing them as inherently trade-distorting, Japan called for the elimination of all export subsidies. Concern, though, was expressed by U.S. officials over the Japanese plan. A whole new class of exemptions without any international controls would be created by this proposal for food security reasons. Switzerland and the Nordic countries have also expressed a desire to maintain import barriers for food security reasons.

The United States labeled the Japanese proposal as "disappointing and disturbing." U.S. officials believe that this plan is inconsistent with Japan's commitment made at the midterm review of the Uruguay Round. Charles J. O'Mara, assistant administrator for international trade policy in the Agriculture Department's Foreign Agricultural Service, expressed doubts about the scheme in that "it seems to us they want to maintain support [subsidies] and protection [of agricultural prices] not eliminate them."

Intellectual Property

A "balanced" approach for intellectual property rights means adequate protection of technical and scientifc knowledge of developed countries offset against the needs of less developed countries to have access to technological and scientific advancements. Papers submitted by Peru and Canada outlined this approach at the October 30 to December 3 meeting of the intellectual property rights negotiating group.

The Canadian approach called for "adequate" but not "excessive" standards in all major areas of intellectual property rights—patents, trademarks, geographical indications, copyright, neighboring rights, integrated circuits, industrial designs, and trade secrets. All countries would be called upon to update their intellectual property rights regimes to conform with whatever agreement emerges from the Uruguay Round. Any agreement on standards for intellectual property rights should encompass the GATT principles of national treatment, most-favored-nation treatment, transparency, and procedures for dispute settlement. However, a complete harmonization of rules is not necessary, according to the Canadian paper.

In the Peruvian submission, a balance would be struck between an owner's right to a profit from the sale of protected property and the rights of the "public-at-large" to have reasonable access at reasonable prices to the innovation/creation. Another topic of Peru's paper is that of "suitable compensation." This concept refers to the compensation of patent owners whose patents have been expropriated by trading partners through so-called compulsory licenses. Special conditions would exist whereby compulsory licenses could be granted and a patent expropriated.

Support for the Peruvian plan was widespread, ranging from many developing countries such as India, Brazil, and Colombia—the so-called hardliner countries—to the EC and Canada. U.S. Administration officials did not comment on the paper. One former U.S. trade negotiator, though, did argue that the United States should reject any compromises in the area of intellectual property rights. Ambassador Mike Smith, former Deputy

U.S. Trade Representative, commenting on the negotiations, emphatically asserted that intellectual propery protection was "a gut issue for the U.S." He further declared that "If we don't come out [of the Uruguay Round] with something solid [on intellectual property], it will be difficult to call the Round a success."

MTN Agreements

One Tokyo Round Code being discussed in this group is that governing antidumping. At the November 20–21 meeting of the MTN agreements negotiating group, the United States submitted its proposal for revising the GATT's antidumping code. The basic theme of the paper revolves around preventing the circumvention of antidumping regulations. Currently, exporters who are found dumping their products in a certain market can change the destination and nature of the product, thereby circumventing the antidumping ruling of that country. According to the United States, stricter rules are needed to prevent the diversion of dumped goods to a third market. Along with reducing circumvention, Deputy USTR Rufus Yerxa stated that Washington wants antidumping rules that are "effective, predictable, transparent, and fair." GATT sources believe that most exporting nations welcome and see a need for reforms in antidumping.

Similar statements calling for narrower differences in national statutes and regulations, and more discipline in the antidumping arena were made by South Korea, Hong Kong, and Japan. The aim expressed in the Hong Kong paper is to prevent the use of antidumping measures in a protectionist manner. South Korea described specific changes that need to be made to the code. One GATT official stated, though, that the pieces of the puzzle will not fall into place until the EC submits its recommendation, expected at the upcoming December meeting.

Informal Trade Ministerial Meeting Held in Japan

In an effort to keep the Uruguay Round on track, an informal trade ministerial meeting was held from November 15 to 17 in Tokyo. The purpose of the meeting was to give "political momentum" to the Uruguay Round, which is scheduled to end by year-end 1990. Issues discussed among the 27 participants included market access, international trade rules, and introduction of services and intellectual property into GATT (see other article in this publication concerning issues being addressed in the multilateral talks). The talks were not negotiations but served as an informal mechanism to allow for discussion of differences in agriculture, textiles, tariff reductions, trade in services, and other issues. One decision reached, though, was a timetable for a draft framework of the final trade agenda. By July, draft rules will be presented to as many of the 15 negotiating groups as possible.

An encouraging sign resulting from the informal talks concerned intellectual property. Up to then, developing nations had not talked at a ministerial level with developed nations on the issue . One Japanese government source noted, "Although the positions of developing nations are still wide apart from those of advanced nations on the issue [of intellectual property], it is extremely significant that developing nations have at last come to the negotiating table." GATT director general, Arthur Dunkel, declared that developing nations "crossed the bridge" as far as a change in their attitude on this issue.

A divisive problem yet to be resolved pertains to how tariffs are to be reduced. The U.S. position maintains a request/offer approach whereas most of the other nations support a formula-based cutback. After the talks concluded, Ambassador Carla Hills, U. S. Trade Representative, offered a compromise for the tariff impasse. Under her presentation, each country would describe the method it planned on following, either request/offer or formula, with an overall reduction in tariffs of 33 percent. However, the method to be used would cover all negotiations that are attemping to open access to markets—non-tariff measures, natural resource-based products, tropical products, and textiles.

To help settle disputes on agriculture and intellectual property, Ambassador Hills proposed that priority be given to rule-making. Negotiators are working on determining new rules for such matters as subsidies, anti-dumping action, balance-of-payments, and safeguards (temporary measures designed to protect a domestic industry for imports.) If agreement can be reached in these areas, so argues Ambassador Hills, countries would be able to 'cut deals' on crucial issues of farm reform, protection of intellectual property, and principles to be applied in the services sector. These proposals, on the whole, were generally well received by the others members of GATT.

Prior to the Tokyo talks, Japan, Canada, the EC, and the United States discussed several topics, including incorporating developing nations into the GATT, unilateral actions, and dispute settlement. The trade ministers of these four major economic powers agreed that trading rules need to be improved. "About $1 trillion in global trade is not covered or is inadequately covered by trade rules," stated USTR Hills. "Good, clear, enforceable rules" are needed, declared Ambassador Hills.

One issue brought up in these meetings concerned Section 337 of the U.S. Tariff Act of 1930. A GATT dispute panel ruled in January 1989 that the law violates multilateral trade rules. The United States blocked the adoption of the report eight times before finally allowing its adop-

tion on November 7, 1989. During the informal talks among the four countries, the EC had urged the United States to abandon this law which handles patent infringement cases. The acceptance of the panel ruling is seen as a way to counter growing criticism of apparent U.S. double standards. The United States is calling for disciplines in the intellectual property arena but maintains a system that discriminates against foreigners. An agreement in intellectual property is seen as a must if the Uruguay Round is to conclude successfully, according to various U.S. officials.

The adoption of the GATT panel report, though, does not imply that the United States will abandon Section 337. Legislation will be required to bring Section 337 into conformity with GATT rules. Mr. Rufus Yerxa, Deputy U.S. Trade Representative, hopes that the decision to comply with the report is taken as a vote of confidence in GATT.

Countries attending these informal talks were Argentina, Australia, Austria, Britian, Canada, Colombia, the EC, France, Hong Kong, Hungary, India, Indonesia, Italy, Japan, Mexico, the Netherlands, New Zealand, Nigeria, Pakistan, South Korea, Sweden, Switzerland, Thailand, the United States, Uruguay and West Germany. Representatives from GATT's Trade Negotiations Committee were also in attendance.

China's Economy: The News Is Both Good and Bad

The Chinese economy "has behaved quite well" in 1989, according to a spokesman of the State Statistical Bureau of China. Discussing its performance during January-September, he noted that the year-old austerity program, launched in September 1988, has succeeded in slowing the country's record rate of inflation. Consumer spending has been curbed and savings deposits in banks are growing. Investment in capital construction—a major source of inflationary pressure—has been reduced, and the growth of industrial production has declined markedly, easing the chronic shortfall in energy and numerous raw materials.

Impressive as these achievements may be, the costs of cooling the economy have been high. As a result of Government measures that have effectively barred lending by provincial and local banks during the past year, many enterprises have run into trouble because of their inability to obtain new credit and the pressure on them to repay existing loans. The current sluggish consumer-goods market has also left manufacturers extremely hard pressed for cash to buy needed raw materials and semi-finished products, and the number of factories brought to a standstill is growing. Moreover, since June—when Premier Li Peng and other conservatives gained control of economic policymaking—the industrial growth rate has been further suppressed by new measures to recentralize the economy. During the first 9 months of 1989, the value of total industrial production increased by 8.9 percent compared with its level during the corresponding period of 1988. However, the growth rate has slowed significantly in recent months. In July, the output of industry grew by 9.6 percent on a year-to-year basis; in August, by 6.1 percent; and in September, by 0.9 percent. In October, for the first time in a decade, the year-to-year value of industrial production declined, falling 2.1 percent from October 1988.

The growth of light industrial output, which includes such manufactures as textile products and other major commodities for export as well as for domestic consumption, has slowed more than that of heavy industry. In 1988, light industrial production grew by 19.0 percent, whereas the output of heavy industry increased by 16.4 percent. During January–September 1989, the pattern reversed. Heavy industrial production was 9.1 percent higher than its value during January–September 1988, and light industrial output was 8.7 percent higher. The figures released for January–October show an even wider gap between the two sectors: with the value of total industrial output increasing by 7.7 percent over the corresponding period of 1988, the output of heavy industry grew by 8.1 percent and light industrial production increased by only 7.3 percent.

A partial explanation for this development is the emphasis of the new leadership on central planning and the recentralization of economic operations. The State-run enterprises, which account for most of the heavy industrial output, are now favored over the collectively owned industries and the private sector, which together account for a large proportion of the output of light industry. These enterprises—including township collectives in rural areas that led China's industrial growth in the past few years—have been particularly hard hit by the tight credit restrictions in effect since the fall of 1988 and, with energy and raw materials in short supply, further diminished by the preferential treatment accorded State-run industries in recent months. Moreover, in late July the Government launched a political campaign attacking private entrepreneurs and in October announced a policy to limit the growth of rural industries.

After months of rumors that the austerity program would be continued, a 3-year economic retrenchment program was formally adopted at a Communist Party plenum held in November. The 38 measures that reportedly make up the program have not yet been published, but the general plan calls for a slower overall growth rate and a further drop in inflation. The annualized rate of inflation—which by September had declined to 22.0 percent as measured by the retail price index—is to be reduced in 1990 to 10 percent and in 1991 tobetween-5-and-8 percent. The target for GNP growth in 1990 is 5 to 6 percent, with the output of industry scheduled to grow by 6 to 7 percent. In light of the recent performance of the industrial sector, however, this projection seems highly optimistic.

STATISTICAL TABLES

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Industrial production, by selected countries and by specified periods, January 1986-October 1989

(Percentage change from previous period, seasonally adjusted at annual rate)

Country	1986	1987	1988	1989 I	II	III	May	June	July	Aug.	Sept.	Oct.
United States	1.1	3.8	5.7	2.2	3.2	1.3	-0.8	2.6	0	4.3	0	-8.1
Canada	.8	2.7	4.2	4.1	1.2	-.7	0	0.9	-1.8	-.9	-2.7	([1])
Japan	-.3	3.4	9.4	13.2	0	.8	6.3	27.1	-26.7	42.0	-21.3	([1])
West Germany	2.2	.2	3.1	9.8	2.6	-1.2	-22.9	42.8	-6.2	-15.9	11.5	([1])
United Kingdom	2.3	3.4	3.8	-2.0	-4.4	7.0	-14.4	3.4	19.3	19.0	-9.3	([1])
France	.9	2.2	4.3	5.0	7.4	([1])	-19.1	11.3	23.4	0	([1])	([1])
Italy	3.8	2.6	5.9	-3.9	.2	11.7	-8.0	21.7	3.1	45.2	-13.9	([1])

[1] Not available.

Source: *Economic and Energy Indicators*, U.S. Central Intelligence Agency, December 1, 1989.

Consumer prices, by selected countries and by specified periods, January 1986-October 1989

(Percentage change from previous period, seasonally adjusted at annual rate)

Country	1986	1987	1988	1989 I	II	III	June	July	Aug.	Sept.	Oct.
United States	1.9	3.7	4.1	5.4	6.4	2.4	2.0	2.9	0	1.9	5.9
Canada	4.2	4.4	4.0	5.2	6.3	5.4	8.0	4.2	3.1	5.2	3.7
Japan	.6	.1	.7	-2.2	9.8	.6	-1.1	-2.3	-1.1	10.9	14.6
West Germany	-.2	.3	1.2	4.8	3.5	1.6	1.3	1.1	1.2	2.6	6.2
United Kingdom	3.4	4.1	4.9	7.5	8.6	6.3	7.5	6.6	2.9	8.6	6.6
France	2.5	3.3	2.7	3.7	3.9	2.8	1.8	3.0	2.3	3.2	5.0
Italy	6.1	4.6	5.0	7.2	7.7	5.5	6.6	5.7	3.8	4.5	9.0

Source: *Economic and Energy Indicators*, U.S. Central Intelligence Agency, December 1, 1989.

Unemployment rates,[1] by selected countries and by specified periods, January 1986-October 1989

(In percent)

Country	1986	1987	1988	1989 I	II	III	July	Aug.	Sept.	Oct.
United States	7.0	6.2	5.5	5.1	5.2	5.2	5.2	5.1	5.2	5.2
Canada	9.6	8.9	7.8	7.5	7.6	7.3	7.4	7.3	7.3	7.4
Japan	2.8	2.9	2.5	2.4	2.3	2.3	2.2	2.3	2.3	2.3
West Germany	7.0	6.9	7.1	5.8	5.7	5.6	5.6	5.6	5.6	5.5
United Kingdom	11.2	10.3	8.3	7.0	6.5	6.2	6.3	6.2	6.0	25.9
France	10.6	10.8	10.5	9.9	9.9	9.9	10.0	9.9	9.9	9.9
Italy	7.5	7.9	7.9	7.6	7.8	([2])	([2])	([2])	([2])	([2])

[1] Seasonally adjusted; rates of foreign countries adjusted to be comparable with U.S. rate.

[2] Not available.

Note.—Italian unemployment surveys are conducted only once a quarter, in the first month of the quarter.

Source: Statistics provided by Bureau of Labor Statistics, U.S. Department of Labor, December 1989.

Money-market interest rates,[1] by selected countries and by specified periods, January 1986-November 1989

(Percentage, annual rates)

Country	1986	1987	1988	1989 I	II	III	June	July	Aug.	Sept.	Oct.	Nov.
United States	6.5	6.8	8.0	9.7	9.7	8.8	9.2	8.9	8.8	8.9	8.6	8.3
Canada	9.2	8.4	9.6	11.7	12.3	12.3	12.3	12.2	12.3	12.3	(2)	(2)
Japan	5.0	3.9	4.4	4.9	5.1	5.4	4.5	5.2	5.3	5.4	(2)	(2)
West Germany	4.6	4.0	4.3	6.2	6.8	7.1	6.9	7.0	7.0	7.3	8.2	(2)
United Kingdom	10.9	9.6	8.9	13.0	13.5	13.9	14.2	13.9	13.8	14.0	15.1	(2)
France	7.7	8.1	7.9	9.0	8.8	9.1	8.8	9.1	9.0	9.2	9.9	(2)
Italy	12.6	11.2	11.0	12.4	12.5	12.9	12.7	12.9	12.7	12.9	13.1	(2)

[1] 90-day certificate of deposit.

[2] Not available.

Note.—The figure for a quarter is the average rate for the last week of the quarter.

Source: *Federal Reserve Statistical Release* December 11, 1989, and *Economic and Energy Indicators*, Central Intelligence Agency, December 1, 1989.

Effective exchange rates of the U.S.dollar, unadjusted and adjusted for inflation differential, by specified periods, January 1986-November 1989

(Percentage change from previous period)

Item	1986	1987	1988	1989 I	II	III	May	June	July	Aug.	Sept.	Oct.	Nov.
Unadjusted:													
Index[1]	106.0	94.1	88.0	88.8	92.5	92.8	92.6	94.7	92.0	92.5	93.8	91.8	91.4
Percentage change	-16.5	-11.2	-6.5	1.7	4.1	.3	2.7	2.2	-2.8	.5	1.4	-2.1	-.4
Adjusted:													
Index[1]	100.9	90.2	85.9	89.4	92.8	92.9	98.0	94.8	92.1	92.6	93.8	92.3	92.5
Percentage change	-17.1	-10.6	-4.8	4.3	3.8	.1	7.2	-3.2	-2.8	.5	1.2	-1.5	.2

[1] 1980-82 average=100.

Note.—The foreign-currency value of the U.S. dollar is a trade-weighted average in terms of the currencies of 15 other major nations. The inflation-adjusted measure shows the change in the dollar's value after adjusting for the inflation rates in the United States and in other nations; thus, a decline in this measure suggests an increase in U.S. price competitiveness.

Source: Morgan Guaranty Trust Co. of New York, December 19, 1989.

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Trade balances, by selected countries and by specified periods, January 1986-October 1989

(In billions of U.S.dollars, f.o.b.basis, at an annual rate)

Country	1986	1987	1988	1989 I	II	III	June	July	Aug.	Sept.	Oct.
United States[1]	-137.5	-152.2	-119.5	-111.2	-103.4	-107.2	-96.0	-98.4	-121.2	-102.0	-122.4
Canada	7.1	8.3	7.2	8.0	3.2	4.0	2.4	4.8	2.4	2.4	(3)
Japan	92.5	96.2	94.6	97.6	78.8	76.8	76.8	74.4	76.8	79.2	(3)
West Germany[2]	52.6	65.6	72.8	80.8	67.2	76.4	74.4	69.6	86.4	73.2	(3)
United Kingdom	-12.6	-16.9	-36.0	-42.0	-38.4	-43.6	-37.2	-49.2	-44.4	-37.2	(3)
France	.1	-5.2	-5.8	-2.4	-8.4	(3)	-6.0	-14.4	-16.8	(3)	(3)
Italy	-2.0	-8.7	-10.0	-16.0	-12.4	-10.8	-7.2	-8.4	-14.4	-9.6	(3)

[1] 1986, exports, f.a.s. value, adjusted; imports, c.i.f. value, adjusted. Beginning with 1987, figures were adjusted to reflect change in U.S. Department of Commerce reporting of imports at customs value, seasonally adjusted, rather than c.i.f. value.

[2] Imports, c.i.f. value, adjusted.

[3] Not available.

Source: *Economic and Energy Indicators*, U.S. Central Intelligence Agency, December 1, 1989, and *Advance Report on U.S.Merchandise Trade*, U.S. Department of Commerce, December 15, 1989.

U.S.trade balance,[1] by major commodity categories, by selected countries, and by specified periods, January 1986-October 1989

(In billions of U.S.dollars, customs value basis for imports)

Country	1986	1987	1988	1989 I	II	III	June	July	Aug.	Sept.	Oct.
Commodity categories:											
Agriculture	4.5	7.0	13.9	1.6	1.4	1.2	1.3	1.2	.9	1.4	1.5
Petroleum and selected products (unadjusted)	-31.8	-39.5	-38.1	-3.2	-4.0	-3.8	-3.9	-3.9	-3.9	-3.6	-3.9
Manufactured goods	-134.3	-146.1	-146.7	-8.4	-7.8	-9.0	-8.4	-9.3	-10.2	-7.6	-10.6
Selected countries:											
Western Europe	-28.2	-27.9	-17.2	-.08	-.02	-.9	-.8	-.8	-.7	1.2	-.4
Canada[2]	-23.0	-11.5	-12.6	-.9	-.5	-.7	-.5	-.4	-1.2	-.6	-.8
Japan	-55.3	-58.0	-55.5	-4.1	-4.0	-4.0	-3.9	-4.0	-3.9	-4.1	-4.9
OPEC (unadjusted)	-8.9	-13.7	-10.7	-1.0	-1.6	-1.6	-1.6	-1.7	-1.8	-1.5	-1.5
Unit value of U.S.imports of petroleum and selected products (unadjusted)[3]	$15.02	$18.12	$14.19	$15.17	$17.96	$16.54	$17.67	$17.12	$16.14	$16.38	$17.09

[1] Exports, f.a.s. value, unadjusted. 1986-88 imports, c.i.f. value, unadjusted; 1989 imports, customs value, unadjusted.

[2] Beginning with February 1987, figures include previously undocumented exports to Canada.

[3] Beginning with 1988, figures were adjusted to reflect change in U.S. Department of Commerce reporting of imports at customs value, seasonally unadjusted, rather than c.i.f. value.

Source: *Advance Report on U.S.Merchandise Trade*, U.S. Department of Commerce, December 17 , 1989.

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